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ADMINISTRATIVE AGREEMENT
REGARDING GAS TAX COLLECTION

THIS AGREEMENT is entered into between _____ a
Pennsylvania corporation ("Chevron"); and The City of El Segundo,
a municipal corporation ("City"); on the 1st day of
February, 1994.

RECITALS

A. City imposes a gas users tax pursuant to section 3.24.040 of the El Segundo Municipal Code. Said tax involves payment of a percentage of the charges for gas used in the City of El Segundo. Chevron owns and operates a refinery for petroleum products within the City boundaries. Chevron obtains natural gas from a variety of different sources, including natural gas produced from its own wells. Chevron uses the natural gas for a variety of purposes, including generation of electricity, use of natural gas as feedstock to a steam methane reformer which produces hydrogen which in turn becomes a component part of manufactured products produced by the refinery, and as fuel for the refinery utility system.

B. Section 3.24.040 of the El Segundo Municipal Code was drafted for application to the typical situation where gas is purchased from the Southern California Gas Company and used for ordinary utility purposes (i.e., heating and cooking fuel) in the city. The complex acquisition and use of gas at the El Segundo

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Refinery creates a number of unresolved issues concerning the application of the gas users tax. These unresolved issues regarding the implementation and application of gas users tax have given rise to disputes between Chevron and City over the amount of tax due from Chevron to City. While the parties have successfully agreed upon a monetary settlement of taxes imposed in past years, both Chevron and City still disagree over the interpretation of El Segundo Municipal Code section 3.24.040.

C. El Segundo Municipal Code section 3.24.100(c) provides that the City tax administrator may enter into administrative agreements to " . . . vary the strict requirements of this chapter so that collection of any tax imposed here may be made in conformance with the billing procedures of a particular service supplier so long as said agreements result in collection of the tax in conformance with the general purpose and scope of this chapter."

D. Given the difficulty of enforcing the gas users tax within the context of Chevron's customary acquisition and consumption of gas, which is unique within the City, it is appropriate for the City to invoke its power to enter into an Administrative Agreement in order to avoid further disputes concerning the application of gas users tax on Chevron's refinery operations.

NOW, THEREFORE, parties hereto do agree as follows:

1. Authority for Agreement - This Agreement is entered into under the authority vested in the tax administrator under El Segundo Municipal Code § 3.24.100(c). The appropriateness of the application of this chapter is based upon the facts recited above. It is the determination of the tax administrator that the custom employed by Chevron in acquiring and consuming gas does not conform to the normal pattern of gas use for which El Segundo Municipal Code § 3.24.040 was drafted and that therefore, it is necessary and in the best interest of the City to enter into an Agreement to simplify and formalize payment of gas users tax by Chevron.

2. Term - This agreement shall become effective retroactively to June 1, 1993. The amounts due for the 1993 fiscal year shall be prorated to that date and shall be payable by March 1, 1994. City shall, upon execution of this Agreement, immediately notify Southern California Gas Company to cease collecting the gas users tax from Chevron. Any amounts paid by Chevron to Southern California Gas Company in satisfaction of gas users tax charges assessed against Chevron for gas use after June 1, 1993 shall be credited against the amount due hereunder. The parties have elsewhere agreed to resolution of all disputes concerning taxes due prior to June 1, 1993. This agreement shall continue so long as El Segundo Municipal Code § 3.24.040 shall continue in its present approximate form. If § 3.24.040 is amended to reduce or increase the tax imposed thereunder the amount payable under this agreement shall be reduced or increased on a pro rata basis to correspond to the reduction or increase in

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the tax. If Chevron's gas use, in two consecutive years shows a twenty-five (25) percent increase (for each year) over its average annual gas use from September 1989 to May 1993, then the City may elect to terminate this Agreement and either impose the tax calculated on actual gas use or negotiate a new administrative agreement with Chevron. If Chevron's gas use in two consecutive years shows a twenty-five (25) percent decrease (for each year) from its average annual gas use from 1989 to 1993, then Chevron may elect to terminate this Agreement and either pay the tax calculated on actual gas use or negotiate a new administrative agreement with Chevron. The term "gas use" for purposes of this section shall mean all gas purchased from third parties and used in the refinery fuel system for utility purposes but shall not include gas used for cogeneration or feedstock.

3. **Assignment** - Chevron shall not assign this agreement or any part thereof to any other party without the express consent of the City of El Segundo.

4. **Payment of Tax** - Chevron's tax shall be based upon the average amount of tax paid on gas purchases and transportation charges from Southern California Gas Company as averaged over the period from September 1989 to May 1993. The parties agree that this sum ("the base tax") is \$150,000 per calendar year. The base tax shall be subject to annual adjustment as provided for hereafter.

5. **Payment In Lieu of Gas Users Tax** - The payment provided for hereunder by Chevron to City shall be in lieu of any and all

sums which would, in the absence of this agreement, otherwise be due from Chevron to the City under El Segundo Municipal Code § 3.24.040 for Chevron's consumption of gas of all types and for all purposes in the City of El Segundo.

6. **Annual Adjustment** - On January 1st of each year the amount payable to the City under this agreement shall increase by an amount equal to the percentage increase in the Department of Labor Consumer Price Index for the Los Angeles/Long Beach Standard Metropolitan Statistical Area from January of the previous year.

7. **Time for Payment** - Payment for the 1993 calendar year as prorated from June 1, 1993, shall be due on or before March 1, 1994. Thereafter, payment shall be due from Chevron to the City on March 1st of each year.

8. **Delinquent Payment** - Failure by Chevron to make payment of the amount due hereunder to City by March 10th of each year shall result in said amount becoming delinquent at midnight on March 10th. Upon delinquency there shall become due and owing a late payment equal to ten percent (10%) of the non-delinquent payment due hereunder for every month, or portion thereof, for which the amount remains delinquent.

9. **Governing Law** - This agreement shall be governed under the Laws of the State of California.

10. **Attorneys Fees** - In any action in law or equity concerning the rights, duties, obligations or interpretation of this agreement, the prevailing party shall be entitled to attorneys fees.

11. Severability - If any portion of this agreement shall be found to be invalid or unenforceable, the remaining provisions of this agreement shall continue to be in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

CHEVRON, INC.
A Pennsylvania Corporation

By: 

CITY OF EL SEGUNDO, A
Municipal Corporation

By: 

STEVEN KLÖTZCHE,
TAX ADMINISTRATOR

APPROVED AS TO FORM:

BY: 

LELAND C. DOLLEY, CITY ATTORNEY